

**TOWN OF HAMPTON,
NEW HAMPSHIRE**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

DECEMBER 31, 2004

TOWN OF HAMPTON, NEW HAMPSHIRE
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
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FOR THE YEAR ENDED DECEMBER 31, 2004

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen and Town Manager
Town of Hampton
Hampton, New Hampshire

We have audited the accompanying financial statements of the Town of Hampton, as of and for the year ended December 31, 2004 as shown on pages 3 through 7. These financial statements are the responsibility of the Town of Hampton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has chosen not to implement Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments*. Therefore these financial statements are presented following the principles that were in effect prior to GASB Statement No. 34. Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities. The financial statements presented do not contain separate statements for governmental and fiduciary fund types, nor are major and non-major funds separately identified and classified. The financial statements presented report expendable and nonexpendable trust funds some of which should be reported as special revenue and permanent funds under the new reporting model. The financial statements also present a general long-term debt account group which should not be reported as such, but the information contained therein should be included in the government-wide financial statements were they presented. Also, the financial statements do not contain any information on capital assets because the government has not maintained historical cost records of such assets. Management has not presented a management's discussion and analysis as required. The amounts that would be reported in the missing statements and required supplementary information, and the effects of reclassifying and properly reporting the information presented are not reasonably determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Hampton as of December 31, 2004, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

*Town of Hampton
Independent Auditor's Report*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampton basic financial statements. The combining and individual fund statements and additional schedule are presented for purposes of additional analysis and are not a required part of the Town of Hampton financial statements. For reasons stated in the third paragraph of this report, we expressed an opinion that the financial statements of the Town of Hampton do not fairly present financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. Therefore, we do not express an opinion on the accompanying combining and individual fund statements or schedule.

January 20, 2005

*Plodzik & Sanderson
Professional Association*

FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF HAMPTON, NEW HAMPSHIRE
Combined Balance Sheet
All Fund Types and Account Group
December 31, 2004

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Cash and cash equivalents	\$ 9,045,849	\$ 915,856	\$ 7,019,998
Investments		475,795	
Receivables, net of allowance for uncollectible:			
Interest			
Taxes	2,531,369		
Accounts	70,321	239,555	
Intergovernmental	44,362		520,794
Interfund receivable	1,037,133		
Voluntary tax liens	112,300		
Voluntary tax liens reserved until collected	(112,300)		
Prepaid items	39,246	5,745	
Other debits:			
Amount to be provided for retirement of general long-term debt			
Total assets and other debits	<u>\$ 12,768,280</u>	<u>\$ 1,636,951</u>	<u>\$ 7,540,792</u>
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable	\$ 357,516	\$ 11,599	\$
Accrued payroll and benefits	155,605	2,067	
Contracts payable			1,132,026
Retainage payable	61,306		73,652
Intergovernmental payable	9,445,262		
Interfund payable		46,038	456,359
Escrow and performance deposits	26,664		
Deferred revenue	105,342	25,976	193,921
General obligation bonds/notes payable			
Capital leases payable			
Compensated absences payable			
Accrued landfill closure and postclosure care costs			
Total liabilities	<u>10,151,695</u>	<u>85,680</u>	<u>1,855,958</u>
Equity:			
Fund balances:			
Reserved for encumbrances	809,783	124,425	10,688,824
Reserved for endowments			
Reserved for special purposes			96,345
Unreserved:			
Designated for contingency	300,000		
Designated for special purposes		1,426,846	
Undesignated (deficit)	1,506,802		(5,100,335)
Total equity	<u>2,616,585</u>	<u>1,551,271</u>	<u>5,684,834</u>
Total liabilities and equity	<u>\$ 12,768,280</u>	<u>\$ 1,636,951</u>	<u>\$ 7,540,792</u>

<u>Fiduciary Funds Types</u> <u>Trust and Agency</u>	<u>Account Group</u> <u>General</u> <u>Long-Term Debt</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
\$ 924,603	\$	\$ 17,906,306
16,799,369		17,275,164
156,315		156,315
		2,531,369
		309,876
		565,156
		1,037,133
		112,300
		(112,300)
		44,991
	26,315,137	26,315,137
<u>\$ 17,880,287</u>	<u>\$ 26,315,137</u>	<u>\$ 66,141,447</u>
\$ 3,488	\$	\$ 372,603
		157,672
		1,132,026
		134,958
31,895		9,477,157
534,736		1,037,133
153,465		180,129
		325,239
	23,666,683	23,666,683
	23,021	23,021
	1,705,433	1,705,433
	920,000	920,000
<u>723,584</u>	<u>26,315,137</u>	<u>39,132,054</u>
16,170,530		11,623,032
986,173		16,170,530
		1,082,518
		300,000
		1,426,846
		(3,593,533)
<u>17,156,703</u>		<u>27,009,393</u>
<u>\$ 17,880,287</u>	<u>\$ 26,315,137</u>	<u>\$ 66,141,447</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT B
TOWN OF HAMPTON, NEW HAMPSHIRE
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended December 31, 2004

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Taxes	\$15,443,099	\$ 10,000	\$	\$	\$ 15,453,099
Licenses and permits	3,135,434				3,135,434
Intergovernmental	1,630,428	17,530	21,445		1,669,403
Charges for services	802,963	713,040			1,516,003
Miscellaneous	459,677	117,426		47,437	624,540
Total revenues	<u>21,471,601</u>	<u>857,996</u>	<u>21,445</u>	<u>47,437</u>	<u>22,398,479</u>
Expenditures:					
Current:					
General government	5,074,368	2			5,074,370
Public safety	8,085,365	331,260			8,416,625
Highways and streets	1,849,808				1,849,808
Sanitation	3,306,941				3,306,941
Health	300,165				300,165
Welfare	87,996				87,996
Culture and recreation	246,362	957,711			1,204,073
Debt service	2,162,328				2,162,328
Capital outlay	1,192,429		6,266,034		7,458,463
Total expenditures	<u>22,305,762</u>	<u>1,288,973</u>	<u>6,266,034</u>		<u>29,860,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(834,161)</u>	<u>(430,977)</u>	<u>(6,244,589)</u>	<u>47,437</u>	<u>(7,462,290)</u>
Other financing sources (uses):					
Proceeds of general obligation debt			7,222,123		7,222,123
Interfund transfers in	890,795	715,200			1,605,995
Interfund transfers out	(714,921)			(354,611)	(1,069,532)
Total other financing sources and uses	<u>175,874</u>	<u>715,200</u>	<u>7,222,123</u>	<u>(354,611)</u>	<u>7,758,586</u>
Net change in fund balances	(658,287)	284,223	977,534	(307,174)	296,296
Fund balances, beginning	<u>3,274,872</u>	<u>1,267,048</u>	<u>4,707,300</u>	<u>1,292,475</u>	<u>10,541,695</u>
Fund balances, ending	<u>\$ 2,616,585</u>	<u>\$ 1,551,271</u>	<u>\$ 5,684,834</u>	<u>\$ 985,301</u>	<u>\$ 10,837,991</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT C
TOWN OF HAMPTON, NEW HAMPSHIRE
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
General and Special Revenue Funds
For the Fiscal Year Ended December 31, 2004

	General Fund		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Taxes	\$ 15,388,164	\$ 15,443,099	\$ 54,935
Licenses and permits	3,101,090	3,135,434	34,344
Intergovernmental	1,306,572	1,301,982	(4,590)
Charges for services	697,225	802,963	105,738
Miscellaneous	405,421	459,677	54,256
Total revenues	<u>20,898,472</u>	<u>21,143,155</u>	<u>244,683</u>
Expenditures:			
Current:			
General government	5,194,920	5,198,957	(4,037)
Public safety	7,618,578	7,759,150	(140,572)
Highways and streets	1,898,156	1,893,608	4,548
Sanitation	3,403,830	3,295,275	108,555
Health	317,132	298,712	18,420
Welfare	116,450	87,996	28,454
Culture and recreation	244,624	240,768	3,856
Conservation			
Debt service	2,158,169	2,162,328	(4,159)
Capital outlay	490,000	387,392	102,608
Total expenditures	<u>21,441,859</u>	<u>21,324,186</u>	<u>117,673</u>
Deficiency of revenues under expenditures	<u>(543,387)</u>	<u>(181,031)</u>	<u>362,356</u>
Other financing sources (uses):			
Interfund transfers in	875,000	890,795	15,795
Interfund transfers out	(731,613)	(714,921)	16,692
Total other financing sources and uses	<u>143,387</u>	<u>175,874</u>	<u>32,487</u>
Net change in fund balances	<u>\$ (400,000)</u>	<u>(5,157)</u>	<u>\$ 394,843</u>
Unreserved fund balances, beginning		1,811,959	
Unreserved fund balances, ending		<u>\$ 1,806,802</u>	

Annually Budgeted Special Revenue Funds			Total (Memorandum Only)		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$	\$ 10,000	\$ 10,000	\$15,388,164	\$ 15,453,099	\$ 64,935
			3,101,090	3,135,434	34,344
200,000	17,530	(182,470)	1,506,572	1,319,512	(187,060)
1,200,000	575,790	(624,210)	1,897,225	1,378,753	(518,472)
70,000	114,870	44,870	475,421	574,547	99,126
<u>1,470,000</u>	<u>718,190</u>	<u>(751,810)</u>	<u>22,368,472</u>	<u>21,861,345</u>	<u>(507,127)</u>
			5,194,920	5,198,957	(4,037)
1,050,000	448,470	601,530	8,668,578	8,207,620	460,958
			1,898,156	1,893,608	4,548
			3,403,830	3,295,275	108,555
			317,132	298,712	18,420
			116,450	87,996	28,454
1,147,012	963,249	183,763	1,391,636	1,204,017	187,619
4,601		4,601	4,601		4,601
			2,158,169	2,162,328	(4,159)
			490,000	387,392	102,608
<u>2,201,613</u>	<u>1,411,719</u>	<u>789,894</u>	<u>23,643,472</u>	<u>22,735,905</u>	<u>907,567</u>
<u>(731,613)</u>	<u>(693,529)</u>	<u>38,084</u>	<u>(1,275,000)</u>	<u>(874,560)</u>	<u>400,440</u>
731,613	715,200	(16,413)	1,606,613	1,605,995	(618)
			<u>(731,613)</u>	<u>(714,921)</u>	<u>16,692</u>
<u>731,613</u>	<u>715,200</u>	<u>(16,413)</u>	<u>875,000</u>	<u>891,074</u>	<u>16,074</u>
<u>\$ -0-</u>	21,671	<u>\$ 21,671</u>	<u>\$ (400,000)</u>	16,514	<u>\$ 416,514</u>
	1,006,020			2,817,979	
	<u>\$ 1,027,691</u>			<u>\$ 2,834,493</u>	

The notes to financial statements are an integral part of this statement.

EXHIBIT D
TOWN OF HAMPTON, NEW HAMPSHIRE
Combined Statement of Revenues, Expenses and Changes in Fund Balance
All Nonexpendable Trust Funds
For the Fiscal Year Ended December 31, 2004

Operating revenues:	
New funds	\$ 830,578
Interest and dividends	546,643
Net decrease in fair value of investments	<u>(220,019)</u>
Total operating revenues	<u>1,157,202</u>
Operating expenses:	
Trust income distributions	11,413
Transfers out to other funds	<u>536,463</u>
Total operating expenses	<u>547,876</u>
Operating income	609,326
Fund balance, beginning	<u>15,562,076</u>
Fund balance, ending	<u>\$16,171,402</u>

The notes to financial statements are an integral part of this statement.

EXHIBIT E
TOWN OF HAMPTON, NEW HAMPSHIRE
Combined Statement of Cash Flows
All Nonexpendable Trust Funds
For the Fiscal Year Ended December 31, 2004

Cash flows from operating activities:	
Cash received as new funds	\$ 830,578
Cash received as interest and dividends	538,452
Cash received from mortgages	32,882
Cash paid as trust income distributions	(11,631)
Cash paid to other funds	<u>(1,727)</u>
Net cash provided by operating activities	1,388,554
 Cash flows from investing activities:	
Purchase of investments	<u>(853,024)</u>
 Net increase in cash	535,530
 Cash, beginning	<u>235,608</u>
 Cash, ending	<u><u>\$ 771,138</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	<u>\$ 609,326</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Net decrease in fair value of investments	220,019
Increase in interest receivable	(8,191)
Decrease in mortgages receivable	32,882
Decrease in accounts payable	(218)
Increase in interfund payable	<u>534,736</u>
Total adjustments	<u>779,228</u>
 Net cash provided by operating activities	<u><u>\$ 1,388,554</u></u>

The notes to financial statements are an integral part of this statement.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant of the government's accounting policies are described below.

1-A Reporting Entity

The Town of Hampton, New Hampshire, is a municipal corporation governed by an elected 5-member Board of Selectmen. These financial statements present the Town of Hampton (primary government). Component units are organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Basis of Presentation

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses, as appropriate. The various funds are grouped by type in the financial statements. The following fund types and account groups are used by the Town:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds - Transactions related to resources obtained and used for the acquisition, construction, or improvement of capital facilities are accounted for in Capital Projects Funds.

Fiduciary Fund Types

Trust and Agency Funds - These funds account for assets held or established under a formal trust agreement or Town Meeting vote, or assets held by the Town as a trustee or agent for individuals, private organizations, or other units of government.

Account Groups

Account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations. The Town uses the following account groups:

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

General Fixed Assets Account Group - General fixed assets have been acquired for general governmental purposes and have been recorded as expenditures in the applicable fund. The Town does not maintain a record of its general fixed assets valued at historical cost and, accordingly, a statement of general fixed assets is not included in this financial report.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the Town.

1-C Measurement Focus/Basis of Accounting

Governmental, Expendable Trust and Agency Funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Licenses and permits, fines and forfeits, and most miscellaneous revenues are recorded when received in cash. General taxes, intergovernmental revenues, charges for services, and investment earnings are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for prepayments, debt service, and other long-term obligations, which are recognized when due.

Nonexpendable Trust Funds are accounted for using the accrual basis of accounting. Using this basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred (flow of economic resources measurement focus).

1-D Assets, Liabilities and Fund Equity

1-D-1 Cash, Cash Equivalents and Investments

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

New Hampshire statutes require that the Town treasurer have custody of all moneys belonging to the Town and pay out the same only upon orders of the Town Manager. The treasurer shall deposit all moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments - Whenever the treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the Town Manager, invest the excess funds. New Hampshire law authorizes the Town to invest in the following types of obligations:

- Obligations of the United States Government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits, or
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are stated at fair value as of the balance sheet date which is based on quoted market prices.

1-D-2 Receivables

All tax and trade receivables are shown net of an allowance for uncollectible amounts.

Tax revenue is recorded when a warrant for collection is committed to the Tax Collector. The Town has established an allowance for a portion of the uncollected taxes receivable, based on historical trend information relative to collectibility.

As prescribed by law, the Tax Collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town.

Various service charges (ambulance, police and sewer) are recorded as revenue for the period when service was provided.

1-D-3 Interfund Balances and Activity

During the course of normal operations, the Town has transactions between funds, including expenditures and transfers of resources to provide services and fund capital outlay. The accompanying governmental and fiduciary fund financial statements reflect such transactions as transfers. To the extent that certain transactions have not been paid or received as of December 31, balances of interfund amounts receivable or payable have been recorded.

1-D-4 Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1-D-5 Compensated Absences

Employees may accumulate a limited amount of earned, but unused vested benefits which will be paid upon separation from the Town's service. In Governmental Fund Types, the cost of vested benefits paid or expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the fund. Amounts of vested or accumulated leave benefits that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

1-D-6 Deferred Revenue

The government reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

1-D-7 Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities are reported in the financial statements.

In general, Governmental Fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, claims and judgements, and compensated absences that will be paid from Governmental Funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

The Town reports long-term debt of Governmental Funds at face value in the General Long-Term Debt Account Group. Certain other Governmental Fund obligations not expected to be financed with current available financial resources are also reported in the General Long-Term Debt Account Group.

1-D-8 Fund Equity

Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or that do not represent available, spendable resources, and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific purposes.

The following reserves are used by the Town:

Reserved for Encumbrances - is used to account for open purchase orders, contracts and other commitments at year-end for which goods and services have not been received.

Reserved for Endowments - represents the principal balance of the Town's Nonexpendable Trust Funds which must be held for investment purposes only.

Reserved for Special Purposes - is used to account for the unencumbered balance of restricted funds. These consist of the Town's Expendable Trust Funds, and the income portion of the Town's Nonexpendable Trust Funds.

The following designations are used by the Town:

Designated for Contingency - is used to account for potential abatements or adjustments of property tax accounts for which revenue has previously been recorded, and also for potential legal settlements.

Designated for Special Purposes - is used to account for the unencumbered balances of Special Revenue Funds.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

1-D-9 Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-D-10 Memorandum Only - Total Columns

Total columns on the financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with U.S. generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the General, Recreation, Lane Memorial Library, Conservation Commission, Emergency Medical Services, Fire Alarm, Police Forfeiture and Cable TV Local Origination Funds. Project-length financial plans were adopted for the Capital Projects Funds. Except as reconciled on the following page, budgets were adopted on a basis consistent with U.S. generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at December 31 and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2004, \$400,000 of the beginning General Fund fund balance was applied for this purpose.

2-B Budget/GAAP Reconciliation

Amounts recorded as budgetary revenues and expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds (Exhibit C) are presented on the basis budgeted by the Town. The amounts differ from those reported in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds (Exhibit B) as follows:

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
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	<u>General Fund</u>	<u>Special Revenue Funds</u>
Revenues and Other Financing Sources:		
Per Exhibit C (Budgetary Basis)	\$ 22,033,950	\$ 1,433,390
Adjustments:		
Basis Difference:		
Retirement Contributions Paid by the State of New Hampshire	328,446	
Entity Difference:		
Unbudgeted Funds:		
Police Detail		95,615
Cemetery Trustees		1
Beach Infrastructure		43,937
U.S.S. Hampton		39
Founders Day		6
Police Grants		208
	<u> </u>	<u> </u>
Per Exhibit B	<u>\$ 22,362,396</u>	<u>\$ 1,573,196</u>
Expenditures and Other Financing Uses:		
Per Exhibit C (Budgetary Basis)	\$ 22,039,107	\$ 1,411,719
Adjustments:		
Basis Difference:		
Encumbrances - December 31, 2003	1,462,913	1,677
Encumbrances - December 31, 2004	(809,783)	(124,425)
Retirement Contributions Paid by the State of New Hampshire	328,446	
Entity Difference:		
Unbudgeted Fund:		
Cemetery Trustees		2
	<u> </u>	<u> </u>
Per Exhibit B	<u>\$ 23,020,683</u>	<u>\$ 1,288,973</u>

2-C Deficit Fund Equity

Project Deficit

There are unreserved deficits in the following Capital Projects Funds:

Wastewater Treatment Plant Improvements	\$ 19,668
Sewer Facilities Update	254,096
Beach Infrastructure	4,778,316
Public Safety Pier	48,255
	<u> </u>
Total	<u>\$ 5,100,335</u>

These deficits arise because the bonds or notes authorized to finance the projects are not recognized in the financial statements until issued. In addition, revenues for federal grants are not recognized until eligible expenditures have been incurred.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

2-D Bonds or Notes Authorized - Unissued

Bonds and notes authorized and unissued as of December 31, 2004 were as follows:

<u>Per Town Meeting Vote of</u>	<u>Purpose</u>	<u>Unissued Amount</u>
March 14, 2000	Wastewater Treatment Plant Improvements	\$ 19,670
March 11, 2003	Hampton Beach Infrastructure Improvements	5,250,970
March 11, 2003	Sewer Facilities Update	1,937,418
March 9, 2004	Hurd Farm Easement	<u>3,000,000</u>
<u>Total</u>		<u>\$ 10,208,058</u>

2-E New Reporting Standard

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. When implemented, it requires new information and restructures much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Town was required to implement this standard for the year ended December 31, 2003, but has not done so.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP

3-A Cash, Cash Equivalents and Investments

At year-end, the Town's carrying amount of deposits was \$17,906,306, and the bank balance was \$19,772,923. Of the bank balance, \$19,002,009 was insured or collateralized with securities held by the Town or its agent in the Town's name, and \$770,914 was uninsured and uncollateralized.

Investments made by the Town are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk into three categories as follows:

- Category 1* Includes investments that are insured or registered for which the securities are held by the Town or its agent in the Town's name.
- Category 2* Includes uninsured and unregistered investments for which the securities are held by the Town, broker, counter party's trust department or agent in the Town's name.
- Category 3* Includes uninsured and unregistered investments for which the securities are held by the broker, counter party, counter party's trust department or agent, but not in the Town's name.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
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Most of the Town's investments are under the management of Bank North Investment Management Group, which is the Town's agent for these funds. These investments are designated as Category 3 because they are held by an agent of the bank, but not in the Town's name.

	Category			Fair Value
	1	2	3	
Certificates of Deposit	\$ 277,263	\$ 932,198	\$	\$ 1,209,461
United States Government Obligations			15,748,572	15,748,572
Common Stocks	1,257		3,854	5,111
	<u>\$ 278,520</u>	<u>\$ 932,198</u>	<u>\$ 15,752,426</u>	\$ 16,963,144
Investment in Repurchase Agreements				<u>312,020</u>
Total Investments				<u>\$ 17,275,164</u>

3-B Taxes Receivable

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2004, upon which the 2004 property tax levy was based is:

For the New Hampshire Education Tax	\$ 2,264,240,100
For All Other Taxes	\$ 2,307,040,100

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due date. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowances at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, the Hampton and Winnacunnet Cooperative School Districts, Rockingham County and Hampton Beach Village District, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

The tax rates and amounts assessed for the year ended December 31, 2004, were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal Portion	\$ 6.89	\$ 15,897,887
School Portion:		
State of New Hampshire	\$ 3.29	7,454,376
Local	\$ 6.55	15,103,370
County Portion	\$ 1.07	2,468,869
Precinct Portion	\$.95	360,199
Total Property Taxes Assessed		<u>\$ 41,284,701</u>

During the current fiscal year, the Tax Collector executed a lien on August 27 for all uncollected 2003 property taxes.

Taxes receivable at December 31, 2004, are as follows:

Property:	
Levy of 2004	\$ 2,348,054
Unredeemed (under tax lien):	
Levy of 2003	287,194
Levy of 2002	85,506
Levy of 2001	1,115
Less: Allowance for estimated uncollectible taxes	<u>(190,500)</u>
Net Taxes Receivable	<u>\$ 2,531,369</u>

3-C Other Receivables

Other receivables at December 31, 2004, consist of accounts (billings for sewer and other user charges) and intergovernmental receivables arising from grants, court fees and the sewer agreement.

Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectibility.

Amounts receivable at December 31, 2004 are as follows:

	General Fund	Special Revenue Funds	Capital Projects Funds	Trust Funds	Total
Interest	\$	\$	\$	\$ 156,315	\$ 156,315
Accounts	70,321	470,286			540,607
Intergovernmental	44,362		520,794		565,156
Liens	112,300				112,300
Allowance for Unavailable or Uncollectible Amounts	<u>(112,300)</u>	<u>(230,731)</u>			<u>(343,031)</u>
Net Total Receivables	<u>\$ 114,683</u>	<u>\$ 239,555</u>	<u>\$ 520,794</u>	<u>\$ 156,315</u>	<u>\$ 1,031,347</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

3-D Interfund Balances and Transfers

Interfund balances at December 31, 2004 consist of overdrafts in the pooled cash and investments and budgetary transfers.

Individual fund interfund receivable and payable balances at December 31, 2004 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,037,133	\$
Special Revenue Funds		46,038
Capital Projects Funds		456,359
Trust Funds		<u>534,736</u>
Totals	<u>\$ 1,037,133</u>	<u>\$ 1,037,133</u>

Interfund transfers for the year ended December 31, 2004 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 890,795	\$ 714,921
Special Revenue Funds	715,200	
Trust Funds		<u>891,074</u>
Totals	<u>\$ 1,605,995</u>	<u>\$ 1,605,995</u>

3-E Intergovernmental Payable

Amounts due to other governments at December 31, 2004 consist of:

General Fund:	
Fees due to the State of New Hampshire	\$ 2,516
Balance of 2004-2005 district assessment due to the:	
Winnacunnet Cooperative School District	\$ 2,434,843
Hampton School District	6,801,686
State of New Hampshire	<u>206,217</u>
	9,442,746
Trust Funds:	
Expendable:	
Balance of funds belonging to the Hampton Beach Village District	<u>31,895</u>
Total	<u>\$ 9,477,157</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

3-F Deferred Revenue

Deferred revenue at December 31, 2004 consists of the following:

General Fund:		
Unissued building permits	\$ 32,795	
Cemetery receipts	30,552	
Insurance settlements	32,403	
Other	<u>9,592</u>	\$ 105,342
Special Revenue Funds:		
Recreation	\$ 12,708	
Emergency medical services	895	
Police forfeiture	11,988	
Police grants	<u>385</u>	25,976
Capital Project Funds:		
Wastewater treatment plant improvements	\$ 133,921	
Public safety pier	<u>60,000</u>	<u>193,921</u>
Total		<u>\$ 325,239</u>

3-G Long-Term Debt

Changes in the Town's long-term obligations during the year ended December 31, 2004, consisted of the following:

	<u>Balances, Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances, Ending</u>
General Obligation Bonds/Notes	\$ 17,957,639	\$ 7,222,123	\$ 1,513,079	\$ 23,666,683
Capital Leases	84,729		61,708	23,021
Compensated Absences	1,394,064	311,369		1,705,433
Accrued Landfill Postclosure Care Costs	<u>672,000</u>	<u>248,000</u>		<u>920,000</u>
Totals	<u>\$ 20,108,432</u>	<u>\$ 7,781,492</u>	<u>\$ 1,574,787</u>	<u>\$ 26,315,137</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Long-term debt payable at December 31, 2004, is comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at December 31, 2004</u>
General Obligation					
Bonds/Notes Payable:					
Sewer Bonds	\$ 800,000	1985	2005	7.5-8.5	\$ 40,000
Sewer Construction Bonds	\$ 7,800,000	1986	2006	7.5-8.5	780,000
Sewer Construction Loan	\$ 2,712,489	1995	2015	4.632	1,477,696
Landfill Closure Loan	\$ 4,179,686	1997	2016	4.48	2,928,239
Landfill Gas Trench	\$ 147,828	1998	2018	4.22	103,479
Wastewater Treatment Plant	\$ 1,398,340	1999	2019	5.10	1,029,870
Winnacunnet Road Lift Station	\$ 664,953	1999	2019	4.22	498,720
Police Facility	\$ 6,323,000	2002	2012	4.75	5,057,000
Beach Infrastructure	\$ 6,000,000	2004	2024	3.85	6,000,000
Partial Drawdown of State Revolving Fund Loan					<u>5,751,679</u>
					<u>23,666,683</u>
Capital Leases Payable:					
Pick-up Trucks	\$ 16,300	2002	2005	6.05	1,451
Town Boat	\$ 145,000	2002	2005	3.21	12,589
Recreation Dumptruck	\$ 20,848	2003	2006	5.5	<u>8,981</u>
					<u>23,021</u>
Compensated Absences Payable:					
Vested Sick Leave					968,914
Accrued Vacation Leave					230,257
Other Accrued Leave					<u>506,262</u>
					<u>1,705,433</u>
Accrued Landfill Postclosure Care Costs					<u>920,000</u>
Total General Long-Term Debt Account Group					<u>\$ 26,315,137</u>

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2004, including interest payments, are as follows:

Annual Requirements To Amortize General Obligation Bonds/Notes Payable

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,796,209	\$ 776,855	\$ 2,573,064
2006	1,763,702	684,251	2,447,953
2007	1,382,577	608,469	1,991,046
2008	1,391,847	548,135	1,939,982
2009	1,401,533	487,382	1,888,915
2010-2014	5,904,852	1,539,777	7,444,629
2015-2019	2,774,284	590,923	3,365,207
2020-2024	<u>1,500,000</u>	<u>184,950</u>	<u>1,684,950</u>
Subtotals	17,915,004	5,420,742	23,335,746
State Revolving Fund Loan	<u>5,751,679 *</u>		<u>5,751,679</u>
Totals	<u>\$ 23,666,683</u>	<u>\$ 5,420,742</u>	<u>\$ 29,087,425</u>

* Repayment of State Revolving Fund loans does not commence until the respective project is complete. This loan is still in the process of being drawdown, and is not finalized as of December 31, 2004.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Annual Requirements to Amortize Capital Leases Payable

<u>Fiscal Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 21,175	\$ 438	\$ 21,613
2006	<u>1,846</u>	<u>25</u>	<u>1,871</u>
Totals	<u>\$ 23,021</u>	<u>\$ 463</u>	<u>\$ 23,484</u>

Accrued Landfill Postclosure Care Costs

In accordance with State laws, the Town has placed a cover on its unlined landfill and is performing certain maintenance and monitoring functions at the landfill site. A liability is being recognized in the General Long-Term Debt Account Group for the future postclosure care costs of \$920,000 (estimated \$40,000 per year for 23 years) which is based on the amount that would be paid if all services required to monitor and maintain the landfill were acquired as of December 31, 2004. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The Town expects to finance the postclosure care costs with general fund revenue.

3-H State Aid to Water Pollution Projects

In addition to local revenues, the "Amount To Be Provided For Retirement of General Long-Term Debt," includes the following amounts to be received from the State of New Hampshire in the form of State Aid to Water Pollution Projects:

<u>Bond Issues</u>	<u>State Aid Grant Number</u>	<u>Amount</u>
\$ 800,000 Sewer Bonds	C-383	\$ 8,591
\$ 7,800,000 Sewer Construction Bonds	C-384	92,927
\$ 2,712,489 Sewer Construction Loan	C-496	371,091
\$ 7,800,000 Sewer Construction Loan	C-536	<u>71,115</u>
Total		<u>\$ 543,724</u>

Under N.H. RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At December 31, 2004, the Town is due to receive the following annual amounts to offset debt payments:

<u>Fiscal Year Ending December 31.</u>	<u>Amount</u>
2005	\$ 133,432
2006	117,678
2007	37,404
2008	36,181
2009	34,959
2010-2015	<u>184,070</u>
Total	<u>\$ 543,724</u>

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 4 - OTHER MATTERS

4-A Pensions

Plan Description and Provisions

The Town of Hampton participates in the New Hampshire Retirement System (The System) which consists of a cost-sharing, multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provisions for benefits and contributions are established and can be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 4 Chenell Drive, Concord, NH 03301.

Description of Funding Policy

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 5% of earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For the year ended December 31, 2004, the Town contributed 7.87% for police officers, 13.44% for firefighters and 5.90% for other employees. The contribution requirements for the Town of Hampton for the years 2002, 2003, and 2004 were \$437,371, \$656,909, and \$850,967, respectively, which were paid in full in each year.

The State of New Hampshire funds 35% of employer costs for police officers and firefighters employed by the Town. The State does not participate in funding the employer costs of other Town employees. GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* requires this amount to be reported as a revenue and expenditure in the Town's financial statements. This amount \$328,446 has been included on Exhibit B - Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds and is reconciled to the budgetary expenditures in Note 2-B.

The Town Manager participates in the ICMA 401 Qualified Plan. Town contributions to this plan in 2004 amounted to \$7,492.

4-B Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During 2004, the Town was a member of the Local Government Center Property-Liability Trust, LLC. This entity is considered a public entity risk pool, currently operating as a common risk management and insurance program for member towns and cities.

The Local Government Center Property-Liability Trust, LLC is a trust organized to provide certain property and liability insurance coverages to member towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program.

TOWN OF HAMPTON, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

The membership and coverage run from July 1 to June 30. The program includes a Self-Insured Retention Fund (SIR) from which is paid up to \$500,000 for each and every covered property, auto physical damage or crime loss, subject to a \$1,000 deductible, and each and every covered general liability and public officials' liability loss. The Trust maintains, on behalf of its members, various reinsurance policies shared by the membership.

Contributions paid in 2004 for fiscal year 2005 ending June 30, 2005, to be recorded as an insurance expenditure totaled \$213,521. There were no unpaid contributions for the year ending June 30, 2005 and due in 2004. The Town also paid \$226,282 for workers' compensation for the year ended December 31, 2004. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

4-C Contingent Liabilities

Litigation

There are various claims and suits pending against the Town which arise in the normal course of the Town's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

4-D Cafeteria Benefit Plan

Effective June 1, 1995, the Town implemented a cafeteria benefit plan pursuant to Section 125 of the IRS code. Under this plan, eligible employees may direct a contribution made by the Town, into an account for health insurance.

All regular full-time and part-time employees employed on a regular and continuous basis, including certain contractual employees, are eligible to participate in this plan. Temporary and casual employees are not eligible. The plan year adopted by the Town begins on January 1 and ends on December 31.

SUPPLEMENTAL SCHEDULES

SCHEDULE A-1
TOWN OF HAMPTON, NEW HAMPSHIRE
General Fund
Statement of Estimated and Actual Revenues
For the Fiscal Year Ended December 31, 2004

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Taxes:			
Property	\$ 15,181,664	\$ 15,197,712	\$ 16,048
Land use change	15,000	15,000	
Interest and penalties on taxes	191,500	230,387	38,887
Total taxes	<u>15,388,164</u>	<u>15,443,099</u>	<u>54,935</u>
Licenses, permits and fees:			
Business licenses, permits and fees	11,050	11,239	189
Motor vehicle permit fees	2,858,140	2,874,466	16,326
Building permits	205,000	223,574	18,574
Other	26,900	26,155	(745)
Total licenses, permits and fees	<u>3,101,090</u>	<u>3,135,434</u>	<u>34,344</u>
Intergovernmental:			
State:			
Shared revenue	131,260	131,260	
Meals and rooms distribution	504,460	504,460	
Highway block grant	244,106	244,106	
Water pollution grants	158,060	158,060	
Other	73,440	85,033	11,593
Federal	195,246	179,063	(16,183)
Total intergovernmental	<u>1,306,572</u>	<u>1,301,982</u>	<u>(4,590)</u>
Charges for services:			
Income from departments	471,925	570,150	98,225
Rye sewer agreement	65,000	64,028	(972)
Parking lots	160,300	168,785	8,485
Total charges for services	<u>697,225</u>	<u>802,963</u>	<u>105,738</u>
Miscellaneous:			
Sale of municipal property	8,975	35,963	26,988
Interest on investments	85,000	107,419	22,419
Rent of property	269,446	269,452	6
Fines and forfeits	42,000	43,870	1,870
Other		2,973	2,973
Total miscellaneous	<u>405,421</u>	<u>459,677</u>	<u>54,256</u>

See Independent Auditor's Report, page 1 and 2.

SCHEDULE A-1 (Continued)
TOWN OF HAMPTON, NEW HAMPSHIRE
General Fund
Statement of Estimated and Actual Revenues
For the Fiscal Year Ended December 31, 2004

	<u>Estimated</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources:			
Interfund transfers:			
Trust funds:			
Expendable	350,000	354,611	4,611
Nonexpendable	<u>525,000</u>	<u>536,184</u>	<u>11,184</u>
Total other financing sources	<u>875,000</u>	<u>890,795</u>	<u>15,795</u>
Total revenues and other financing sources	21,773,472	<u>\$ 22,033,950</u>	<u>\$ 260,478</u>
Unreserved fund balance used to reduce tax rate	<u>400,000</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 22,173,472</u>		

See Independent Auditor's Report, page 1 and 2.

SCHEDULE A-2
TOWN OF HAMPTON, NEW HAMPSHIRE
General Fund
Statement of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2004

	Encumbered From 2003	Appropriations 2004	Expenditures Net of Refunds	Encumbered To 2005	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 807	\$ 120,243	\$ 121,906	\$	\$ (856)
Election and registration	550	197,083	187,833	1,275	8,525
Financial administration	10,576	687,880	662,823	67,227	(31,594)
Legal		125,562	218,806		(93,244)
Personnel administration		1,432,822	1,326,801	49,756	56,265
Planning and zoning	5,523	104,588	96,512	11,645	1,954
General government buildings	2,260	119,569	101,543	16,220	4,066
Cemeteries		85,541	88,472		(2,931)
Insurance, not otherwise allocated		2,264,851	2,210,159		54,692
Other	1,902	56,781	59,513	84	(914)
Total general government	21,618	5,194,920	5,074,368	146,207	(4,037)
Public safety:					
Police department	61,447	3,865,751	3,870,969	88,807	(32,578)
Fire department	140,545	3,552,202	3,592,877	147,207	(47,337)
Building inspection	1,088	193,624	186,059	8,532	121
Emergency management	19	3,000	13,057	20	(10,058)
Project impact	20,386		69,848		(49,462)
Other	18,850	4,001	24,109		(1,258)
Total public safety	242,335	7,618,578	7,756,919	244,566	(140,572)
Highways and streets:					
Highways and streets	53,361	1,204,410	1,207,850	98,916	(48,995)
Street lighting		186,000	167,936		18,064
Paving and reconstruction	14,195	507,746	474,022	12,440	35,479
Total highways and streets	67,556	1,898,156	1,849,808	111,356	4,548
Sanitation:					
Administration	58,135	1,598,109	1,530,742	39,030	86,472
Solid waste collection		608,438	607,194		1,244
Solid waste disposal	14,884	1,089,008	1,085,784	10,585	7,523
Sewage collection and disposal	5,872	108,275	83,221	17,610	13,316
Total sanitation	78,891	3,403,830	3,306,941	67,225	108,555
Health:					
Animal control	2,403	181,145	164,178	950	18,420
Health agencies and hospitals		135,987	135,987		
Total health	2,403	317,132	300,165	950	18,420
Welfare:					
Administration		20,200	17,958		2,242
Direct assistance		96,250	70,038		26,212
Total welfare		116,450	87,996		28,454

SCHEDULE A-2 (Continued)
TOWN OF HAMPTON, NEW HAMPSHIRE
General Fund
Statement of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2004

	Encumbered From 2003	Appropriations 2004	Expenditures Net of Refunds	Encumbered To 2005	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	6,386	239,424	241,201	792	3,817
Patriotic purposes		1,200	4,941		(3,741)
Other		4,000	220		3,780
Total culture and recreation	<u>6,386</u>	<u>244,624</u>	<u>246,362</u>	<u>792</u>	<u>3,856</u>
Debt Service:					
Principal - long-term debt		1,521,207	1,513,078		8,129
Interest - long-term debt		630,462	638,449		(7,987)
Interest - tax anticipation notes		6,500	10,801		(4,301)
Total debt service		<u>2,158,169</u>	<u>2,162,328</u>		<u>(4,159)</u>
Capital outlay:					
Saltmarsh restoration	12,015	25,000		37,000	15
Beach/coastal area master plan	76,158				76,158
Ashworth Avenue sewer	179,971		155,268	33,661	(8,958)
Road improvements	9,893	350,000	336,456	23,417	20
Police communications system	389,529		389,529		
Eel ditch improvement	33,500		7,210	26,290	
Tuck Field building replacement	68,000		68,000		
Hobbs Road sewer upgrade	274,658		219,285	20,000	35,373
Library repairs		115,000	16,681	98,319	
Total capital outlay	<u>1,043,724</u>	<u>490,000</u>	<u>1,192,429</u>	<u>238,687</u>	<u>102,608</u>
Other financing uses:					
Interfund transfers:					
Special revenue funds		731,613	714,921		16,692
Total appropriations, expenditures and encumbrances	<u>\$ 1,462,913</u>	<u>\$ 22,173,472</u>	<u>\$ 22,692,237</u>	<u>\$ 809,783</u>	<u>\$ 134,365</u>

See Independent Auditor's Report, page 1 and 2.

SCHEDULE A-3
TOWN OF HAMPTON, NEW HAMPSHIRE
General Fund
Statement of Changes in Unreserved - Undesignated Fund Balance
For the Fiscal Year Ended December 31, 2004

Unreserved, undesignated fund balance, beginning		\$ 1,411,959
Changes:		
Unreserved fund balance used to reduce 2004 tax rate		(400,000)
2004 Budget summary		
Revenue surplus (Schedule A-1)	\$ 260,478	
Unexpended balance of appropriations (Schedule A-2)	<u>134,365</u>	
2004 Budget surplus		394,843
Decrease in fund balance designated for contingency		<u>100,000</u>
Unreserved, undesignated fund balance, ending		<u><u>\$ 1,506,802</u></u>

See Independent Auditor's Report, page 1 and 2.

SCHEDULE B-1
TOWN OF HAMPTON, NEW HAMPSHIRE
Special Revenue Funds
Combining Balance Sheet
December 31, 2004

	<u>Recreation</u>	<u>Lane Memorial Library</u>	<u>Conservation Commission</u>	<u>Emergency Medical Services</u>	<u>Police Detail</u>	<u>Fire Alarm</u>
ASSETS						
Cash and cash equivalents	\$ 54,631	\$ 93,537	\$ 44,593	\$ 191,950	\$ 107,405	\$ 4,634
Investments		85,133	390,662			
Accounts receivable, net of allowances for uncollectible				227,731	11,199	625
Prepaid items	<u>5,745</u>					
Total assets	<u>\$ 60,376</u>	<u>\$ 178,670</u>	<u>\$ 435,255</u>	<u>\$ 419,681</u>	<u>\$ 118,604</u>	<u>\$ 5,259</u>
LIABILITIES AND EQUITY						
Liabilities:						
Accounts payable	\$ 1,448	\$ 890	\$	\$ 6,752	\$	\$
Accrued payroll and benefits	174			1,893		
Interfund payable						
Deferred revenue	<u>12,708</u>			<u>895</u>		
Total liabilities	<u>14,330</u>	<u>890</u>		<u>9,540</u>		
Equity:						
Fund balances:						
Reserved for encumbrances	7,215			116,460		750
Unreserved:						
Designated for special purposes	<u>38,831</u>	<u>177,780</u>	<u>435,255</u>	<u>293,681</u>	<u>118,604</u>	<u>4,509</u>
Total equity	<u>46,046</u>	<u>177,780</u>	<u>435,255</u>	<u>410,141</u>	<u>118,604</u>	<u>5,259</u>
Total liabilities and equity	<u>\$ 60,376</u>	<u>\$ 178,670</u>	<u>\$ 435,255</u>	<u>\$ 419,681</u>	<u>\$ 118,604</u>	<u>\$ 5,259</u>

SCHEDULE B-2
TOWN OF HAMPTON, NEW HAMPSHIRE
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2004

	<u>Recreation</u>	<u>Lane Memorial Library</u>	<u>Conservation Commission</u>	<u>Emergency Medical Services</u>	<u>Police Detail</u>	<u>Fire Alarm</u>
Revenues:						
Taxes	\$	\$	\$ 10,000	\$	\$	\$
Intergovernmental						
Charges for services	161,320	1,778		395,442	95,054	17,250
Miscellaneous	<u>7,627</u>	<u>57,778</u>	<u>2,924</u>	<u>2,473</u>	<u>561</u>	<u>31</u>
Total revenues	<u>168,947</u>	<u>59,556</u>	<u>12,924</u>	<u>397,915</u>	<u>95,615</u>	<u>17,281</u>
Expenditures:						
Current:						
General government						
Public safety				297,696		16,034
Culture and recreation	<u>163,424</u>	<u>755,480</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>163,424</u>	<u>755,480</u>	<u> </u>	<u>297,696</u>	<u> </u>	<u>16,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,523</u>	<u>(695,924)</u>	<u>12,924</u>	<u>100,219</u>	<u>95,615</u>	<u>1,247</u>
Other financing sources:						
Interfund transfers in	<u>78</u>	<u>710,522</u>	<u>4,600</u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	5,601	14,598	17,524	100,219	95,615	1,247
Fund balances, beginning	<u>40,445</u>	<u>163,182</u>	<u>417,731</u>	<u>309,922</u>	<u>22,989</u>	<u>4,012</u>
Fund balances, ending	<u>\$ 46,046</u>	<u>\$ 177,780</u>	<u>\$ 435,255</u>	<u>\$ 410,141</u>	<u>\$ 118,604</u>	<u>\$ 5,259</u>

<u>Police Forfeiture</u>	<u>Cable TV Local Origination</u>	<u>Cemetery Trustees</u>	<u>Beach Infrastructure</u>	<u>U.S.S. Hampton</u>	<u>Founders' Day</u>	<u>Police Grants</u>	<u>Total</u>
\$ 14,331	\$ 77,801	\$ 1,254	\$ 270,405	\$ 5,180	\$ 1,830	\$ 48,305	\$ 915,856 475,795
							239,555
							5,745
<u>\$ 14,331</u>	<u>\$ 77,801</u>	<u>\$ 1,254</u>	<u>\$ 270,405</u>	<u>\$ 5,180</u>	<u>\$ 1,830</u>	<u>\$ 48,305</u>	<u>\$ 1,636,951</u>
\$ 2,195	\$ 314	\$	\$	\$	\$	\$	\$ 11,599
					612	45,426	2,067
<u>11,988</u>						<u>385</u>	<u>46,038</u>
<u>14,183</u>	<u>314</u>				<u>612</u>	<u>45,811</u>	<u>25,976</u>
							85,680
							124,425
<u>148</u>	<u>77,487</u>	<u>1,254</u>	<u>270,405</u>	<u>5,180</u>	<u>1,218</u>	<u>2,494</u>	<u>1,426,846</u>
<u>148</u>	<u>77,487</u>	<u>1,254</u>	<u>270,405</u>	<u>5,180</u>	<u>1,218</u>	<u>2,494</u>	<u>1,551,271</u>
<u>\$ 14,331</u>	<u>\$ 77,801</u>	<u>\$ 1,254</u>	<u>\$ 270,405</u>	<u>\$ 5,180</u>	<u>\$ 1,830</u>	<u>\$ 48,305</u>	<u>\$ 1,636,951</u>

See Independent Auditor's Report, page 1 and 2.

<u>Police Forfeiture</u>	<u>Cable TV Local Origination</u>	<u>Cemetery Trustees</u>	<u>Beach Infrastructure</u>	<u>U.S.S. Hampton</u>	<u>Founders' Day</u>	<u>Police Grants</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$	\$	\$ 10,000
17,530							17,530
			42,196				713,040
124	43,913	1	1,741	39	6	208	117,426
17,654	43,913	1	43,937	39	6	208	857,996
		2					2
17,530							331,260
	38,807						957,711
17,530	38,807	2					1,288,973
124	5,106	(1)	43,937	39	6	208	(430,977)
							715,200
124	5,106	(1)	43,937	39	6	208	284,223
24	72,381	1,255	226,468	5,141	1,212	2,286	1,267,048
\$ 148	\$ 77,487	\$ 1,254	\$ 270,405	\$ 5,180	\$ 1,218	\$ 2,494	\$ 1,551,271

See Independent Auditor's Report, page 1 and 2.

SCHEDULE B-3
TOWN OF HAMPTON, NEW HAMPSHIRE
Lane Memorial Library Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended December 31, 2004

Revenues:

Charges for services:

Non-resident fees \$ 1,778

Miscellaneous:

Investment income 3,698

Insurance 31,818

Book sales and fines 9,240

Donations 8,644

Other 4,378

Total revenues \$ 59,556

Expenditures:

Current:

Culture and recreation:

Salaries and benefits \$ 485,118

Administrative costs 112,767

Books, periodicals and programs 153,314

Operation and maintenance of facilities 4,281

Total expenditures 755,480

Excess (deficiency) of revenues under expenditures (695,924)

Other financing sources:

Interfund transfers in 710,522

Net change in fund balance 14,598

Fund balance, beginning 163,182

Fund balance, ending \$ 177,780

See Independent Auditor's Report, page 1 and 2.

SCHEDULE B-4
TOWN OF HAMPTON, NEW HAMPSHIRE
Conservation Commission Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended December 31, 2004

Revenues:		
Taxes	\$10,000	
Miscellaneous:		
Interest	813	
Other	<u>2,111</u>	
Total revenues		\$ 12,924
Other financing sources:		
Interfund transfers in		<u>4,600</u>
Net change in fund balance		17,524
Fund balance, beginning		<u>417,731</u>
Fund balance, ending		<u>\$ 435,255</u>

See Independent Auditor's Report, page 1 and 2.

SCHEDULE C-1
TOWN OF HAMPTON, NEW HAMPSHIRE
Capital Projects Funds
Combining Balance Sheet
December 31, 2004

	Wastewater Treatment Plant Improvements	Police Facility	Sewer Facilities Update	Beach Infrastructure	Public Safety Pier	Total
ASSETS						
Cash and cash equivalents	\$ 283,895	\$ 573,982	\$	\$ 6,115,814	\$ 46,307	\$ 7,019,998
Intergovernmental receivable	119,657		67,982	311,710	21,445	520,794
Total assets	<u>\$ 403,552</u>	<u>\$ 573,982</u>	<u>\$ 67,982</u>	<u>\$ 6,427,524</u>	<u>\$ 67,752</u>	<u>\$ 7,540,792</u>
LIABILITIES AND EQUITY						
Liabilities:						
Contracts payable	\$	\$ 309,921	\$ 27,240	\$ 787,113	\$ 7,752	\$ 1,132,026
Retainage payable	140	24,848		48,664		73,652
Interfund payable	289,159	105,765	51,624	9,811		456,359
Deferred revenue	133,921				60,000	193,921
Total liabilities	<u>423,220</u>	<u>440,534</u>	<u>78,864</u>	<u>845,588</u>	<u>67,752</u>	<u>1,855,958</u>
Equity:						
Fund balances:						
Reserved for encumbrances		37,103	243,214	10,360,252	48,255	10,688,824
Reserved for special purposes		96,345				96,345
Unreserved:						
Deficit	(19,668)		(254,096)	(4,778,316)	(48,255)	(5,100,335)
Total equity	<u>(19,668)</u>	<u>133,448</u>	<u>(10,882)</u>	<u>5,581,936</u>		<u>5,684,834</u>
Total liabilities and equity	<u>\$ 403,552</u>	<u>\$ 573,982</u>	<u>\$ 67,982</u>	<u>\$ 6,427,524</u>	<u>\$ 67,752</u>	<u>\$ 7,540,792</u>

See Independent Auditor's Report, page 1 and 2.

SCHEDULE C-2
TOWN OF HAMPTON, NEW HAMPSHIRE
Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2004

	Wastewater Treatment Plant Improvements	Police Facility	Sewer Facilities Update	Beach Infrastructure	Public Safety Pier	Total
Revenues:						
Intergovernmental	\$	\$	\$	\$	\$ 21,445	\$ 21,445
Expenditures:						
Capital outlay:						
Architectural/engineering	62,756	53,296	272,317	660,106	21,445	1,069,920
General construction	10,650	4,539,630		486,966		5,037,246
Professional services		19,838				19,838
Other		119,008		20,022		139,030
Total expenditures	<u>73,406</u>	<u>4,731,772</u>	<u>272,317</u>	<u>1,167,094</u>	<u>21,445</u>	<u>6,266,034</u>
Deficiency of revenues under expenditures	(73,406)	(4,731,772)	(272,317)	(1,167,094)		(6,244,589)
Other financing sources:						
Proceeds of general obligation debt	<u>210,511</u>		<u>262,582</u>	<u>6,749,030</u>		<u>7,222,123</u>
Net change in fund balance	137,105	(4,731,772)	(9,735)	5,581,936		977,534
Fund balances (deficit), beginning	<u>(156,773)</u>	<u>4,865,220</u>	<u>(1,147)</u>			<u>4,707,300</u>
Fund balances (deficit), ending	<u>\$ (19,668)</u>	<u>\$ 133,448</u>	<u>\$ (10,882)</u>	<u>\$ 5,581,936</u>	<u>\$ -0-</u>	<u>\$ 5,684,834</u>

See Independent Auditor's Report, page 1 and 2.

SCHEDULE D-1
TOWN OF HAMPTON, NEW HAMPSHIRE
Trust and Agency Funds
Combining Balance Sheet
December 31, 2004

	<u>Trust Funds</u>		<u>Agency</u>	<u>Total</u>
	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Funds</u>	
ASSETS				
Cash and cash equivalents	\$	\$ 771,138	\$ 153,465	\$ 924,603
Investments	1,017,196	15,782,173		16,799,369
Interest receivable		156,315		156,315
Total assets	<u>\$ 1,017,196</u>	<u>\$ 16,709,626</u>	<u>\$ 153,465</u>	<u>\$ 17,880,287</u>
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable	\$	\$ 3,488	\$	\$ 3,488
Intergovernmental payable	31,895			31,895
Interfund payable		534,736		534,736
Escrow and performance deposits			153,465	153,465
Total liabilities	<u>31,895</u>	<u>538,224</u>	<u>153,465</u>	<u>723,584</u>
Equity:				
Fund balances:				
Reserved for endowments		16,170,530		16,170,530
Reserved for special purposes	985,301	872		986,173
Total equity	<u>985,301</u>	<u>16,171,402</u>		<u>17,156,703</u>
Total liabilities and equity	<u>\$ 1,017,196</u>	<u>\$ 16,709,626</u>	<u>\$ 153,465</u>	<u>\$ 17,880,287</u>

See Independent Auditor's Report, page 1 and 2.

SCHEDULE D-2
TOWN OF HAMPTON, NEW HAMPSHIRE
Trust Funds
Summary of Principal and Income
For the Fiscal Year Ended December 31, 2004

	Principal			
	Balance January 1, 2004	Additions	Withdrawals	Balance December 31, 2004
Nonexpendable trust funds:				
Real estate trust	\$ 15,526,495	\$ 610,481	\$	\$ 16,136,976
Cemetery	20,550			20,550
Town needy	531			531
Library	7,636			7,636
Sports scholarship	4,759	78		4,837
	<u>15,559,971</u>	<u>610,559</u>		<u>16,170,530</u>
Expendable trust funds:				
Hampton beach village precinct:				
Capital projects/purchases	5,156			5,156
Property improvements	5,000			5,000
Apparatus replacement	11,500			11,500
Town:				
Computer system upgrade	14,500			14,500
Cemetery burial	294,321	27,750		322,071
Street maintenance/reconstruction	800,000		255.898	544,102
	<u>1,130,477</u>	<u>27,750</u>	<u>255.898</u>	<u>902,329</u>
Total all trust funds	<u>\$ 16,690,448</u>	<u>\$ 638,309</u>	<u>\$ 255.898</u>	<u>\$ 17,072,859</u>

Balance January 1, 2004	Income		Balance December 31, 2003	Balance of Principal and Income December 31, 2004
	Additions	Withdrawals		
\$	\$ 546,149	\$ 546,149	\$	\$ 16,136,976
1,995	271	1,442	824	21,374
	6	6		531
1	201	201	1	7,637
109	94	156	47	4,884
<u>2,105</u>	<u>546,721</u>	<u>547,954</u>	<u>872</u>	<u>16,171,402</u>
6,666	84		6,750	11,906
23	50		73	5,073
3,306	110		3,416	14,916
6,700	235		6,935	21,435
	4,622	4,611	11	322,082
176,954	14,830	94,102	97,682	641,784
<u>193,649</u>	<u>19,931</u>	<u>98,713</u>	<u>114,867</u>	<u>1,017,196</u>
<u>\$ 195,754</u>	<u>\$ 566,652</u>	<u>\$ 646,667</u>	<u>\$ 115,739</u>	<u>\$ 17,188,598</u>

See Independent Auditor's Report, page 1 and 2.



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF REPORTABLE CONDITIONS AND OTHER MATTERS

To the Members of the Board of Selectmen and Town Manager
Town of Hampton
Hampton, New Hampshire

In planning and performing our audit of the Town of Hampton for the year ended December 31, 2004, we considered the Town's internal control structure in order to determine the scope of our auditing procedures for the purpose of expressing our opinion on the financial statements. Our review of these systems was not intended to provide assurance on the internal control structure and should not be relied on for that purpose.

Under the standards established by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might constitute reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

During the course of our review of internal controls, no material weaknesses in the Town's accounting systems and records were identified. Minor weaknesses or other considerations coming to our attention were generally procedural in nature and dealt with administrative or recordkeeping practices. In these instances, we made specific recommendations or provided instruction to applicable individuals during the course of our audit fieldwork.

This report is intended solely for the information and use of management, the board of selectmen, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

January 20, 2005

*Plodzik & Sanderson
Professional Association*